

UPPER CANADA RESOURCES LIMITED
and its subsidiaries

AR04

Consolidated Statement of Changes
in Financial Position
Six Months Ended March 31, 1977
(with comparative figures for 1976 as restated)
(unaudited)

	1977	1976
Source of funds:		
From Operations —		
Net income		
for the period . . .	\$ 118,000	\$1,659,000
Add (deduct) items not requiring an outlay of funds:		
Depreciation and amortization	1,462,000	1,755,000
Deferred income taxes	(204,000)	1,154,000
Gain on sale of assets	(261,000)	(1,035,000)
Funds provided from operations	1,115,000	3,533,000
Proceeds from sale of fixed assets	249,000	523,000
Proceeds from sale of other assets and invest- ments	429,000	2,130,000
	<u>1,793,000</u>	<u>6,186,000</u>
Application of funds:		
Purchase of fixed assets	1,382,000	789,000
Reduction in long-term debt (net)	905,000	2,366,000
	<u>2,287,000</u>	<u>3,155,000</u>
Increase (decrease) in working capital during period	(494,000)	3,031,000
Working capital, begin- ning of period	<u>2,946,000</u>	<u>576,000</u>
Working capital, end of period	<u>\$2,452,000</u>	<u>\$3,607,000</u>



Interim Report

for the six months
ended March 31, 1977
(unaudited)

UPPER CANADA RESOURCES LIMITED
SUITE 908, 40 UNIVERSITY AVENUE
TORONTO, CANADA
M5J 1T1

To the Shareholders:

As the new President of Upper Canada Resources Limited, it has been a busy period appraising all of the operations of the company. As you are aware, there are a number of legal and operational problems which must be resolved and we have, in this statement, reserved sufficient funds to cover the company in the event that they are settled to its detriment. They are as follows:

1. Becker Drills Inc. is party to a suit in Alaska with regard to the drilling of a continuously flowing artesian water well, which flooded neighbouring roads and dwellings. We believe the company is indemnified in this matter.
2. As we were responsible for some moving costs of re-positioning a Challenger Drilling Inc. rig from Alaska to Alberta, and as the rig was moving in March, all re-positioning costs were charged in the first half.
3. \$220,000 was charged to earnings in the first half as a result of the retirement from the Company of its former president.
4. As a result of re-investigation of completed jobs, receivables and inventories, additional write-offs and allowances were provided.

In total we have written down unusual expenses or allowed reserves for \$720,000 on this statement and have, as a consequence, shown no profit for the second quarter of 1977.

Revenue was off slightly at \$19,314,000 from 1976 when it was \$20,821,000. Profits to date for 1977 are \$118,000 or 2¢ per share for the six-month period. Losses have been incurred in every operating division but oil and gas services, which, on the positive side, has shown increases in revenue and contributions to profits.

We are confident that by re-organizing personnel and by stratifying duties and responsibilities, the company will return to a profitable position in the near future. We would like to take this opportunity to thank the continuing management for their support and look forward to improved results in the next reporting period.

On behalf of the Board,

ROBERT G. BRAWN,
President and Chief Executive Officer.

May 26, 1977.

UPPER CANADA RESOURCES LIMITED
and its subsidiaries

Consolidated Statement of Income
For the Period Ended March 31, 1977
(with comparative figures for 1976 as restated)
(unaudited)

	SIX MONTHS		THREE MONTHS	
	1977	1976	1977	1976
Revenue	\$19,314,000	\$20,821,000	\$10,715,000	\$12,880,000
Cost of operations	17,366,000	15,830,000	9,764,000	9,551,000
Income before the following	1,948,000	4,991,000	951,000	3,329,000
Interest	475,000	773,000	211,000	339,000
Depreciation	1,391,000	1,684,000	768,000	1,157,000
Amortization of goodwill	71,000	71,000	35,000	36,000
Gain on sale of assets	(261,000)	(1,035,000)	(62,000)	(1,030,000)
Income before taxes	1,676,000	1,493,000	952,000	502,000
Income taxes	272,000	3,498,000	(1,000)	2,827,000
Net income for period	154,000	1,839,000	4,000	1,475,000
	\$ 118,000	\$ 1,659,000	\$ (5,000)	\$ 1,352,000
Earnings per share:				
Net income for period	\$.02	\$.29	\$	\$.24